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26 OCT 1977

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Secretary of Defense 25 October 1977

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- 1. The Secretary suggested I check with Bill Perry on a new development in the field of his expertise.
- 2. The Secretary thanked me for a memorandum on Yugoslavia, indicated that it was useful, and that he had forwarded us response to several of the questions we suggested that he ask.
- 3. The Secretary informed me that they are developing a counter-terrorism unit in the Department of Defense. It will be a full-time operation and its personnel will be dedicated to this mission. I pointed out that we would be able to help them with clandestine intelligence information that we collect and would be happy to work out some liaison arrangement to pass this on a regular basis. The Secretary indicated they would not be adequately in business until sometime early next year to do that, but was pleased at the offer.
- 4. I discussed the status of organization of the Intelligence Community and showed our latest charts. The Secretary was pleased with this arrangement and thinks it is eminently workable.
- 5. We had a long discussion on net assessment. The Secretary is specifically concerned with the degree to which CIA makes estimates on the performance of US systems for comparison with Soviet systems. Most of the discussion centered on NIE 3-8 and the quasi-dynamic indicators we intend to employ.
  - a. I told him I intended, in any event, to come to him next week with a description of the static and quasidynamic indicators we are going to put in the NIE, particularly to get his advice as a strategic expert.

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- 7. PRM-31, Technology Transfer.
- a. The Secretary would like to have a memo on what we know of Soviet success in clandestinely arranging for the transfer of technology from the free world.
- 8. FY-79 Budget. The Secretary indicated he would be sending me a letter this week and would have Dan Murphy and Jerry Dinneen at our NFIB meeting on the budget.
  - a. He asked if I were going to follow Brzezinski's memorandum and have a PRC meeting on the imagery mix. I told him that I was going to wait to see how the imagery decision came out and what people's reactions to it were. I was hopeful that there would not be enough dissent to warrant having a PRC meeting. I was not opposed to having a PRC meeting, but I was opposed to turning it into a budget review exercise. I pointed out that I felt that if there were appeals to my budget decisions, they should be made through the normal OMB budgetary process, not through the PRC/NSC. The Secretary agreed with this.
- 9. Executive Order. I pointed out the one remaining issue in my mind was whether the GDIP belonged in one paragraph or another. The Secretary indicated he hoped we could have a sub-agreement before Friday which would indicate what part of the GDIP was going to be in the NFIP and that this would overtake any need to change the wording.

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11. I left with the Secretary the paper on Brezhnev's 1973 statement about overtaking the United States.

STANSFIELD TURNER Director

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